

JAN 27 1993

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MOUNTAIN CABLEVISION

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January 19, 1993

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F.C.C. Commissioners  
1919 M. St. N.W.  
Washington, D.C. 20554

MAIL BRANCH

JAN 27 1993

FEDERAL COMMUNICATIONS COMMISSION  
OFFICE OF THE SECRETARY

RE: RATE REGULATIONS MM92-266  
COMMENTS OF MOUNTAIN CABLEVISION INC.,  
IN RESPONSE TO THE "NOTICE OF PROPOSED RULE  
MAKING" IN THE ABOVE REFERENCED PROCEEDINGS

Mountain Cablevision is a small independent cable operation serving five separate communities with four separate headends, none of which serve more than 900 customers. Because we operate in a remote mountainous area, "effective competition" rules have always been applied to our rates. These limitations have kept our rates low, not allowing us the revenue necessary to make the kind of system up-grades for channel capacity, pay-per-view, system addressability, high priced test equipment, or any of the more sophisticated services available in the larger cable systems or MSO's.

As a small operator we enjoy none of the programming discounts, maintenance parts discounts, electronic parts discounts, or any discounts at all, therefore, our operating overhead is considerably higher than larger operations. In order to maintain costs, we operate with a staff of only three people, drive vehicles that are over 20 years old, send our customers coupons instead of monthly billings, etc.

The proposed rules related to rate regulation should completely exempt a single operator serving a single franchise area with multiple headends in rural areas serving customers up to 5000 customers per headend. Especially those operators who have had their rates regulated under the "effective competition" rules for years.

Should the technical requirements be imposed on small operators like us, it would effectively limit our system extensions in rural areas because we would never be able to meet the standards with the line-extender cascades necessary to provide the cable service economically. Once again these rules, both technical and rate regulations, will deny cable service to thousands of people in rural areas.

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ABCDE

As a small system operator we are beset with the day to day problems and issues that seem so obvious to us but evidently are not so obvious to the writers of the Cable Act. To clarify:

1. PROGRAMMING: A small operator pays substantially more for programming than a large operator. The rate cards of most services reflect these differences but the major disparity occurs during the final negotiation between the large MSO and the program supplier. There are cases where the program supplier has had to offer the network to the large operator at little or no cost just to obtain access to the advertiser.

2. COST OF HARDWARE: A small operator does not get the discounts that are available to the large MSO when cable, electronics equipment, test equipment, tools, trucks, etc. are purchased. This is a significant factor to a small operator since much of the equipment can not be usefully amortized on a day to day basis in a small system. Overall, the cost of equipment for a small operator is higher per subscriber than for a large system operator.

3. LEGAL COSTS: A small system operator now needs substantial legal representation and advice. This is necessary on the federal, state, and local levels. It's clear that a large operator has the luxury of amortizing legal advice over many subscribers but the small operator's cost per subscriber for legal advice is becoming astronomical. The encyclopedic new Cable Act requires legal interpretation. The small operator can't spread out the cost of "legal" over enough subscribers to make it economical whereas the large operator can do so.

4. ENGINEERING: The typical chief technician at a small cable system can not answer the myriad questions posed by the new technologies that are necessary to operate a system today. A small operator very often must hire engineering consultants to help a chief technician keep up with the latest developments and, for example, plan a rebuild that will be state of the art. A large operator has the technical expertise "in house" to understand and utilize these new advances in technology.

5. TECHNICAL TESTS MANDATED BY THE FCC:  
For example the new Proof of Performance tests. Test equipment will cost around \$20,000 for general trouble shooting and \$35,000 later for advanced video tests. When we called Mr. John Wong at the FCC to discuss this requirement we were told by a staff attorney that "you could borrow the test equipment from a neighboring large system if you can't afford the required equipment." This lack of understanding of what it takes to run a small business is exactly what we're trying to address in this memo. One just doesn't call a "neighboring system" to borrow test equipment. These new Proof of Performance tests are

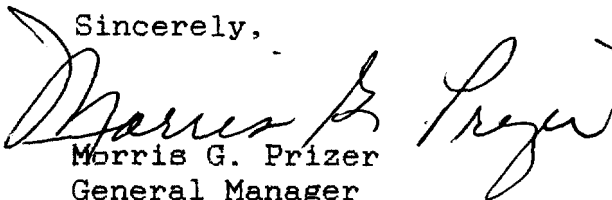
impossibly expensive for the small operator in terms of hardware costs but also in terms of the manpower required to conduct the tests twice per year. This is an example of the technical problems faced by a small operator by unrealistic mandated engineering requirements.

6. ADMINISTRATIVE TIME: A small operator doesn't have the luxury of time to "administrate," to fill out questionnaires, to answer surveys, to write memos such as this, etc. A small independant operator is climbing poles, answering the phone, handling trouble calls, installing new customers, reading the trades, attending the local Chamber meeting, dressing up as Santa, opening envelopes, making a deposit, paying a mortgage, typing a letter, creating a mailing, sweeping wet snow out of a dish at the antenna site, fixing the digital clock on a VCR for an elderly customer, umpiring Little League, fine tuning amplifiers, replacing cable, reading technical journals, reading marketing magazines, putting in the latest traps, watching out for pirates, dealing with the local franchise authorities and on and on and on.

We've tried to personalize these comments in the hope that this perspective will help in understanding the plight of the small operator. As a matter of fact we would suggest that the 1000 sub level be raised to 5000 although we don't know if this is in your purview.

The small independent operator is bound to his community both personally and financially. He maintains an excellent plant because he has coffee with his customers in the morning at the Cafe, he stands in line at the Post Office together with his customers, he plays baseball or pool with his subscribers, and is held personally responsible for the quality of the signal as well as the quality of the programming and service. The small Independent operator urges that you consider these points as you wrestle with the burdens of the Cable Act on us. We simply cannot survive if these new rules impose higher costs since we cannot pass them along to our customers, nor do we want to.

Sincerely,

  
Morris G. Prizer  
General Manager

MGP:lp